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SHERIFFS' RETIREMENT SYSTEM MEMBER HANDBOOK

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Mission Statement: ***The Montana Public Employee Retirement Administration (MPERA) will efficiently provide quality benefits, education and service to help our plan members and beneficiaries achieve a quality retirement.***

Contacting the MPERA

If you have any questions about the SRS, call or e-mail us or visit our website.

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If you don't know who to contact, e-mail our "front desk" and we'll forward your question to the right person: **Mpera@state.mt.us**

Web Site

For updated information and to view MPERA newsletters and other publications visit us on the web at http://www.discoveringmontana.com/doa/perb/perb.htm

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Preface

This *Sheriffs' Retirement System Member Handbook* is a general summary of the benefits provided by the Montana Sheriffs' Retirement System (SRS). It is intended to give you a general idea of your benefits and to acquaint you with the SRS. Every effort has been made to ensure the contents agree with the law and rules. The law and its interpretation can change, so this handbook may be out-of-date a few years after it is published. This handbook is not a final source of the law and rules. IT SHOULD NOT BE TAKEN AS FINAL LEGAL AUTHORITY. Information in this handbook is based on 2001 law. Benefits are based on the law in effect at the time of your termination from employment; thus, some information found here may not apply in specific cases. If this handbook differs with law or rules as the Board interprets them, the law or rules will apply. This handbook replaces all previous SRS member handbooks.

Montana Code

The law governing the SRS may be found in Title 19, Chapters 2 and 7, Montana Code Annotated (MCA). MCA is available on line at: http://www.leg.state.mt.us/services/legal/laws.htm. References to the pertinent sections of MCA and Administrative Rules of Montana (ARM) are provided in parenthesis throughout this publication.

Overview

- You are eligible to retire and receive a service retirement benefit if you have completed 20 years of membership service at any age.
- The SRS provides disability retirement benefits and survivor benefits, if eligible.
- You and your employer both contribute toward your future retirement benefits.
- You may withdraw only your contributions plus interest if you leave SRS-covered employment before retirement.
- If you withdraw your contributions before retirement, you lose your right to any future retirement benefit.

Introduction

Retirement Security for our Members Since 1974

The Sheriffs' Retirement System (SRS) is a public pension plan for all Montana sheriffs hired after July 1, 1974 and Department of Justice investigators hired after July 1, 1993. In 1974, the Legislature created the SRS to grant a retirement, disability, or death benefit to plan members and their beneficiaries. As of June 30, 2001, membership of the SRS consisted of the following:

SRS Membership

Number of participating employers	56
Active plan members	623
Inactive plan members entitled to but not yet receiving benefits or a refund:	
Vested	26
Non-vested	147
Retirees and beneficiaries receiving benefits:	
Service Retirements	218
Disability Retirements	30
Survivor Benefits	14

The Public Employees' Retirement Board (PERB) is an independent, seven-member board, appointed by the Governor to administer the SRS and seven other retirement systems. The Montana Public Employee Retirement Administration (MPERA) does the day-to-day work. This handbook uses the terms "we," "us," the MPERA, and Board interchangeably.

Money that you pay into the SRS earns interest and helps pay for your benefits. At the MPERA, we keep track of your money in your own account and credit your account with interest. We combine the funds from all accounts in a trust fund, which the Board of Investments invests. Income earned from investing the trust fund

goes back into the fund. Only the Board may authorize payment from the trust fund. Current law limits payments to benefits and refunds for members or their survivors. In addition, the Board must pay administrative expenses from the investment earnings. (§19-2-408 and 19-2-505, MCA)

Every two years, an actuary must evaluate the trust fund's capability to pay the benefits earned by members. Based on the fund's strength and the actuary's advice, the Board may initiate potential increases in benefits. Benefits are set by law, and only the Legislature may change them. Before each legislative session, the Board will review the sufficiency of the benefits and advise the Legislature. (§19-2-405, MCA)

SRS is a defined benefit retirement system. The benefits you receive at retirement are based on your years of service and your Highest Average Compensation (HAC) rather than the amount of money you contribute and the interest which accrues to your account.

SECTION I: MEMBERSHIP

Membership is mandatory for an elected or appointed county sheriff or undersheriff; an appointed, lawfully trained, appropriately salaried, and regularly acting deputy sheriff; and a criminal or gambling investigator of the Department of Justice. (§ 19-7-301, MCA)

Membership Enrollment

Membership enrollment is required for all SRS-covered jobs. Information on enrollment, working retiree membership, and exclusion from membership follows.

Membership Cards

New employees must complete a membership card upon starting work in a job covered by the SRS. Your payroll clerk should provide you with this card on your first day of work. Complete the card and return it to the clerk who will send it to us. Membership may not be discontinued until employment as a sheriff or investigator is terminated. (ARM 2.43.402)

The MPERA will not pay a benefit or refund unless you have a membership card on file with us. A membership card is a vital record; you must keep it up-to-date. Update the card whenever any of the information on the card changes. To update your information, complete a new card and give it to your payroll clerk. The payroll clerk must send it to us. Marriage, divorce, births of children, and death of a beneficiary are reasons to update your card.

Optional Membership

A sheriff who was a member of the Public Employees' Retirement System (PERS) on July 1, 1974, or an investigator who

was a member of the PERS on July 1, 1993, has the option to remain with the PERS or may join the SRS at any time before retirement.

A member of the PERS who begins employment in a SRS-covered position on or after March 21, 2001, may remain in the PERS or may become a member of the SRS. This election must be made within 30 days after beginning employment in the SRS-eligible position. (§ 19-7-301, MCA)

A member of the Municipal Police Officers' Retirement System (MPORS) who begins employment in a SRS-covered position following a city-county consolidation or after March 21, 2001, may remain in the MPORS or may become a member of the SRS. This election must be made within 30 days after beginning employment in the SRS-eligible position. (§ 19-7-801, MCA)

Working Retiree Membership

A retired member may work for a limited time in a SRS-covered position without becoming an active member. Current law imposes limits on working retirees. If they exceed the limits, their benefit may be reduced. Every month each employer must report all working retirees to the MPERA. The report must account for each retiree's total paid hours and total wages. Retirees must also report the same information; their signature on the employer's report will serve as their report. See page 23 for more details about working retirees. (§ 19-7-1101, MCA)

NOTE:
A retiree must have been retired for at least 30 days and received one benefit check before accepting a SRS-covered job.

Working retirees may elect to end retirement and become active members. To become active members, they need to complete a membership card and have their payroll clerk send the card to us.

Upon notification, we will stop paying a benefit to a retired member who becomes an active member. When these members are ready to retire again, they must notify the MPERA and we will calculate a new benefit inclusive of the additional service.

Exclusion from Membership

Only those professional law enforcement officers listed on page 9 may become members of the SRS. Other sheriff's department staff members are not eligible for membership in SRS. Jailers, matrons, dispatchers, communications officers, clerks, janitors, inmates, and special deputy sheriffs **are not eligible** to become members of the SRS.

2. Contributions

Contributions to the SRS come from you and your employer. The following is an explanation of contributions to the SRS and what is expected of you and your employer.

Member Contributions

All members must pay part of their gross pay to the SRS. The current contribution rate is 9.245%. Your employer will withhold this money from your gross pay and send it to us. We will credit your contribution to your individual account. (§ 19-7-403, MCA)

Interest: Your SRS account earns interest and we add it to your account each month. Currently, the interest rate is 5%, compounded annually. Each year the Board sets the rate based on trends and interest rates earned by short term U.S. Treasury notes and bills.

The interest credited to your account will not affect the amount of your monthly retirement benefit. The monthly benefit is set by a statutory formula (see page 24). If you end your SRS-covered employment and leave your money on account, it will continue to collect interest. If you take a lump sum refund instead of a monthly benefit, you will also receive the interest credited to your account.

Tax-Deferred: Since July 1985, the money you contribute to the SRS is tax-deferred. The interest your account earns has always been tax-deferred. This means you don't pay state and federal taxes until you receive the money as a benefit or refund. Any money you paid to the SRS before July 1985 was taxed. In other words, you paid the taxes before you paid the money to the SRS. If you have taxed money in your account when you retire or take a lump sum refund, then some of your refund or monthly benefit will be tax exempt.

Purchase of Service: To purchase refunded or other types of optional service, you may contribute amounts beyond your regular contributions. These additional payments are tax-deferred if you authorize payment by payroll deduction contract. If these contributions are not made through payroll deduction, they are not tax-deferred. You will receive interest on service purchase payments at the same rate you receive interest on your regular contributions. All interest paid to a member's account is tax-deferred. (§19-2-704, MCA)

Employer Contributions

Your employer also contributes to the trust fund. Each month the employer contributes 9.535% of their total SRS-covered payroll to the pension trust fund. Employer contributions are not refundable and provide "pooled" funds for retirement, disability, and death benefits. (§ 19-7-404, MCA)

Refund of Contributions

Vested members who end SRS-covered employment may leave their money on account; it will continue to earn interest. Alternatively, they may receive a refund of the money in their account.

To request a refund, you must complete an application, which your employer will supply. The application has two parts, one for the member, and one for the employer. You must complete the member section, then give it to your employer. Your employer will complete the application and send it to us. (§19-2-602, MCA)

NOTE:
If you have been inactive for more than 3 months, you may contact us directly to apply for a refund.

Processing Refund: We cannot process your refund before your employer sends us the application and the final payroll information. This process may take 6 to 8 weeks from the date you

get your last paycheck. Extending your last day of work into a new pay period or month may increase the processing time.

If, after receiving a refund, you accept a SRS-covered job, you will again become a member. We will consider you a new member without credit for the refunded service. You may purchase the refunded service to reinstate it for credit. For more details see Purchase of Service, on page 18. (§19-2-603, MCA)

If you are not a vested member (less than 5 years of membership service) at the time you terminate service, and you have less than $5,000 in accumulated contributions (your contributions plus interest), you must request a lump sum refund. You may also make a written application to have your eligible contributions rolled over to a qualified retirement plan. Inactive non-vested members who have more than $5,000 in accumulated contributions may leave their money on account and it will continue to earn interest. However, they are eligible only for a refund of the member's accumulated contributions and will have no right to any form of SRS benefit. (§ 19-2-602, MCA)

NOTE:
If you receive your refund directly, the IRS requires us to withhold 20% for tax purposes. The IRS may also charge you an additional 10% penalty for early withdrawal. For more information, see Taxes on Refunds, on page 38.

3. Service

The amount of time you work and contribute to the SRS affects the amount of your retirement benefit. The monthly benefit you receive will depend on the number of years you work in a SRS-covered job, whether you work full- or part-time, and your purchase of additional service.

Membership Service

We use membership service to determine if you are eligible for vesting, retirement, or other SRS benefits. You earn one month membership service for any month you contribute to the SRS, regardless of the number of hours you work. You earn membership service for all periods of service during which you make contributions to the system.

If eligible, you may purchase service that will count as membership service. (See Purchase of Service, on page 18.) Retirees may not earn membership service, nor may they buy service. Your total retirement membership service may not match service for other employee benefits, such as the rate at which you earn annual leave. Service for different benefits may vary because the laws and rules that apply are different. (§19-2-303, 19-2-702, MCA)

Vesting

When you have five years of membership service, you have a "vested" right to a retirement benefit if you meet the other eligibility requirements. (See page 24, Service Retirement.) Even if your SRS-covered employment ends, you have the right to a future benefit, when eligible, if you are a vested member. If you withdraw your contributions, you give up your right to retirement benefits.

Example: A member becomes vested after earning five membership service years (60 membership service months). If you leave SRS-covered employment at age 37 with nine membership service

years, and you do not withdraw your contributions, you may receive a monthly benefit when you are eligible for retirement.

Service Credit

Your service credit affects the amount of your retirement benefit. You earn one month service credit for each month of full-time service. Full-time service means your employer paid you for at least 160 hours of work during that month. You may not get credit for more than one month even if you work more than 160 hours during a month. If you work less than 160 hours during any month, you will receive proportional service credit. For example, if you worked 80 hours during a given month, you would earn 0.5 months of service credit. However, for that same month you will earn one month of membership service. (§19-2-701, MCA)

Your service credit years at retirement will be calculated by dividing service credit months by 12.

Example: Suppose you were hired April 1, 1982 and you work full-time until June 30, 2002, when you will retire. Your months of service credit would be calculated as follows:

Period	Months
April 1982 - December 1982	9.0
January 1983 - December 2001	228.0
January 2002 - June 2002	6.0
TOTAL	243.0

243 months divided by 12 months = 20.25 years of service credit
20.25 would be the factor used to calculate your service retirement benefit. (see page 24)

Part-time Service

Upon retirement, the MPERA will adjust either your service credit or Highest Average Compensation (HAC) if you work part-time. We will adjust one or the other to prevent a double reduction of your benefit. If you retire with a full-time salary, then we will not adjust your part-time service credits to calculate your benefit. You will not see the adjustment until retirement.

Personal Statement

Each August the MPERA will send you a statement with information concerning your retirement account. Carefully review the statement to verify that all the information is correct. If you have corrections or changes to any of the personal information or questions concerning account information as it appears in your statement, please submit them to the MPERA in writing.

If you have part-time service, the total service reported in your statement may seem wrong. The service reflects the service reported by your employer. When your employer reports you worked less than 160 hours, the system gives you less than one month of service credit. As noted above, we will make adjustments for part-time service when you retire. We adjust your service to prevent a double reduction of your benefit for part-time service. However, if you work full-time somewhere else, then your HAC may be based on that full-time service. When your HAC is based on full-time service, we don't adjust your part-time service.

NOTE:
We will correct mistakes in your account or service when we identify them, or at least before your benefit is final. Mistakes will not bind the MPERA to pay a benefit for which you are not eligible. If you think the service credit on your statement is wrong, please inform us in writing. Provide specific information, including your current address.

Purchase of Service

Eligible members may purchase various types of retirement service. Contact us for complete details about your eligibility. **A written request to initiate the cost statement is required.** More detailed information follows.

Request a Cost Statement: To purchase service, you must request a cost statement. You must first write to us and provide the following information: **your full name (including any former names), a current address, Social Security Number, and the type of service you wish to purchase**. You should also send us any documents that relate to the service. Your former employer can usually provide you copies of relevant documents. We will review the request and send you a cost statement for purchasing any service for which you are eligible. (ARM 2.43.428)

You must pay the lump-sum cost or start monthly payments within 30 days. After 30 days, the cost statement is not valid and you must contact us for an updated cost statement. Only the MPERA can give you a cost statement. A cost statement from any other source may not be used.

Payment for Purchase: You may pay for a service purchase in one lump-sum, or you may make monthly payments. Active members can make monthly payments by tax-deferred payroll deduction. Inactive vested members, members not paid monthly, or members who wish to self-pay, may send payments directly to the MPERA. (These payments are not tax-deferred.) If you fail to make a regular monthly payment, you give up the right to make any more payments. Your service purchase will be prorated.

We will track your monthly payments in an additional contribution account until you complete the service purchase contract. Then we will transfer the money to your regular account and credit your account with the service. (§ 19-2-704, MCA)

Vested members may purchase most types of service at any time before retirement. Be aware that any delay may increase the cost because of added interest or higher salaries. Members must complete all service purchases before they retire.

Types of Service Which May Be Purchased:

1. Refund: If you received a refund for previous service, you may buy this refunded service. Refunded service means you terminated your job, and the MPERA paid you the contributions and interest in your account. To buy the refund, you must repay the contributions and interest you received as a refund. You must also pay the interest the refund would have earned if you had left it on deposit. (§ 19-2-602, MCA, and ARM 2.43.420 and 2.43.422)

2. Montana Public Service: Members may also purchase service refunded from other Montana statewide retirement systems. If the member is an inactive member of another system, the service and contributions may be transferred directly into the SRS. Contact us in writing for eligibility and a cost statement. (§ 19-7-802, MCA; ARM 2.43.420 and 2.43.422)

3. Other Montana Public Service: A member may purchase service credit for other full-time public service performed for the state or a political subdivision, if the service is not credited in any other retirement system. (§ 19-7-802, MCA)

4. Military: You may buy up to 5 years of active military service, if you have at least 15 years of membership service. A member may purchase 1 year of military service for each year of SRS service credit in excess of 15 years (e.g., a member with 16 years and 7 months of service credit may purchase up to 1 year and 7 months of military service). Military service purchased by a member is not membership service and cannot be used in determining eligibility for retirement. If you will receive a retirement from the military, you may not buy that military service. (§19-7-803, MCA; ARM 2.43.437)

5. Additional Service ("1-for-5") Purchase: For each 5-year period of membership service, you may buy 1 year of additional service. You may buy no more than 5 years of additional service. Members eligible to buy 1 year may buy less than a full year.

Additional service qualifies as both membership service and service credit. It may not be used to qualify for the purchase of military service. We will include all service credit when calculating the amount of your retirement benefit. (§ 19-7-804, MCA; ARM 2:43:432)

6. Absence Due to Illness or Injury: Time that a member is absent from work due to a work-related injury or illness is considered membership service. To qualify, the illness or injury must be work-related. The time which can be purchased may not exceed 5 years. Upon return to work, the employee and employer must file a written application to buy the time. The MPERA must decide the injury was work-related within one year of the member's return to work. If the member pays the contributions and interest, the time will also count as service credit. Members lose the right to contribute for the time if they received a refund of their account during the absence.

Limitations: Current law limits your purchase of military and additional service to a combined total of 5 years. For example, suppose you had 20 years of state service and 3 years of military service. Without any limit, you would be eligible to buy 7 years: 4 years of additional and 3 years of military. However, current law limits you to only 5 years, but it can be any combination of the above service.

Section II: Benefits

To receive retirement benefits under the SRS defined benefit plan, you must fulfill certain age and service requirements. Retirement benefits are payable directly to you. Benefit options which you choose at retirement may also provide for a continued survivor benefit. This section explains how to qualify for retirement, the payment options available, how to calculate your benefits, and sample calculations for benefit options.

1. Qualifying for Benefits

Vested Members

When you complete five years of **membership service** (explained on page 15), you become a vested member. Once vested, the SRS guarantees you a retirement benefit after you reach the minimum age or service requirement.

Active Members

You are an active member if you are in a SRS-covered job and making the required contributions to the system. If you are an active vested member, you may terminate your SRS-covered employment and leave your contributions in the SRS. You can apply for monthly retirement benefits when you are at least age 50.

You could also take a refund of your account, rather than a retirement benefit. When you withdraw your account, you give up all vesting rights. In other words, once you cash your refund check, you are not eligible for a monthly retirement benefit. (§ 19-7-502, MCA and ARM 2.43.603)

Inactive Vested Members

A member does not need to be an active member to be vested. You become an inactive vested member when you end SRS-covered employment and do not withdraw your SRS account. Inactive vested members may buy any service for which they are eligible. Inactive vested members may apply for retirement after they meet the minimum age requirement. You give up your vested right to retirement benefits by terminating your SRS-covered employment and taking a refund of your account. (§ 19-7-301, MCA)

Non-Vested Members

If you quit your job before you vest, you may not continue to buy service. You will not be eligible for a retirement benefit. However, you are eligible for a refund of the money in your account. See page 13 for information on refunds. (§ 19-7-301, MCA)

City-County Consolidation

A law enforcement officer (member of SRS or Municipal Police Officers' Retirement System) who transfers, either to or from a county sheriff's department or a city police force because of city-county consolidation is eligible for benefits if the officer's combined service in SRS and the Municipal Police Officers' Retirement System satisfies the requirements of the system to which the officer last made contributions. Eligibility for, and calculation of benefits and a refund of contributions is governed by the provisions of the retirement system to which the officer last made contributions. The service retirement benefit will be a combined benefit from both systems. Each part of the combined benefit will be calculated separately, based on the member's service credit in each system and in compliance with the requirements of each system. The highest average compensation (HAC) for each calculation will be based on the highest salary earned while a member of the specific system. Beneficiaries, contingent annuitants, and survivors will also receive a

combined benefit with each part based on the requirements of the respective system. (§ 19-7-801, MCA)

Working Retiree

A retiree employed in an SRS-covered position for less than 60 days during a calendar year is not required to become an active member. The retiree's benefit will be reduced $1 for each $3 earned in excess of $5,000 during a calendar year. SRS employers must send a monthly report to the MPERA stating the hours worked and compensation paid to an SRS retiree. Both you and your employer must report this data to the MPERA; however, your signature on the employer's report will suffice as your report. We do not require a report for a month in which you do not work. This report is not required if you become an active member. Income earned from other employment does not apply to your limit. (§ 19-7-1101, MCA, and ARM 2.43.404)

General

You will receive your retirement benefit for life. We will not reduce your benefit by amounts that you receive from other retirement programs, such as Social Security. Upon your death, if you select Option 2 or 3, your contingent annuitant will receive a benefit for life. Section III explains payment options.

2. Service Retirement

SRS members are eligible to receive benefits upon meeting certain requirements. The SRS defined benefit plan provides benefits for members as outlined on the following pages.

Normal Service Retirement

You are eligible for service retirement benefits when you complete 20 years of membership service at any age. (§ 19-7-501, MCA)

As stated earlier, the SRS is a defined benefit plan. Defined benefit plans use a set or defined formula to calculate your benefit. The SRS retirement benefit is based on your highest consecutive 36 months of compensation. (§ 19-7-101(2) , MCA)

The Basic formula for a monthly service retirement in the SRS is:

2.5% x Service Credit x Highest Average Compensation (HAC)

An explanation of the factors follows:

(A) Your years of service credit is the amount of full time service you earned (see page 16).
(B) 2.5% (.025) is a factor that determines how much of your HAC you get for each year of service credit.
(C) HAC is the average of your highest consecutive 36 months of compensation. Add your highest consecutive 36 months of compensation and divide by 36 to get the average monthly salary.
Use these factors to quickly estimate your monthly benefit:

(A) Years of Service Credit		_____
(B) Factor (percentage)	x	.025
(C) HAC (monthly)	x	_____
Monthly Benefit	=	_____

(Sample from page 31.)		
(A)		22
(B)	x	.025
(C)	x	$3,000
	=	$1,650

Early Service Retirement

You are eligible for early service retirement if you are at least age 50, with more than 5 years membership service.

For early service retirement, the amount of your benefit is reduced by an early retirement factor (ERF). The ERF depends upon how many years it will take you to reach age 60 or 20 years of membership service. We will use the ERF that gives you the larger benefit. To estimate your early service retirement you must first calculate your Option 1 service retirement benefit from your calculated estimate on the previous page. Next, select the ERF from the table below which applies to you. If both an age and service category apply to you, then use the largest factor. (§ 19-7-502, MCA)

TABLE 1: EARLY RETIREMENT FACTORS

AGE	EARLY RETIREMENT FACTOR (ERF)	YEARS OF MEMBERSHIP SERVICE
59	0.940	19
58	0.880	18
57	0.820	17
56	0.760	16
55	0.700	15
54	0.664	14
53	0.628	13
52	0.592	12
51	0.556	11
50	0.520	10

3. Disability Retirement

A member suffering a total disability, which is of permanent (or extended and uncertain) duration, is eligible for a disability retirement. Disability is the total physical or mental incapacity to perform the essential elements of the member's job. The disability need not be work-related, but must occur while an active member.

Disability Benefit

A member who is disabled as a direct result of service, in the line of duty, will receive a disability retirement benefit equal to one-half the member's HAC. An active member who is disabled, but not in the line of duty, will receive a disability retirement benefit. This benefit is based on the actuarial equivalent of the accrued service retirement benefit when the disability occurred. (§ 19-7-601, MCA)

Disability Reviews

The Board may review the medical condition of any member receiving a disability. Periodic reviews are performed to decide if the member still qualifies for disability retirement. (§ 19-7-612, MCA)

Disability Benefit Cancellation

The Board will cancel a member's disability retirement in the following cases:(§ 19-7-612, MCA)

- ❑ The member is no longer totally disabled and can return to the employment formerly held by the member; or
- ❑ The retiree refuses to submit the results of a current medical exam for review.

Contact us for complete details about disability benefits and how to apply.

Section III: Payment Options

When you retire, you must select a benefit payment option. The option you choose determines whether or not income is provided for someone else after your death. If you choose an option to provide income for someone after you die, your monthly retirement benefit will be reduced. The reduced benefit depends upon the option you choose, your age, and the age of your named "contingent annuitant."

The four options available to you are as follows:

1. Option 1

Option 1 provides a monthly benefit to you for your lifetime only. It provides the largest monthly benefit amount you may choose. Option 1 is also the basis for all other options. The benefit is computed using the defined benefit formula. (See page 24.) If you retire early, then the early retirement factor will reduce your benefit, as explained on page 25.

Upon your death, all payments stop on the first day of the month following your death. Your designated beneficiary will receive any balance left in your account. That account balance is the amount available at retirement less the total benefits paid to the date of death. All monthly benefit payments end upon the retiree's death.

NOTE:
Once you choose an Option 1 retirement you may not make a change after cashing your first benefit payment.

2. Option 2

Option 2 provides a monthly benefit to you for your lifetime. When you die, your named contingent annuitant will receive that same amount for the rest of their life. Option 2 is an annuity based on the lives of two people. Therefore, the benefit amount is less than Option 1, because the value of your monthly retirement benefit is reduced to provide that same benefit to your beneficiary.

Your Option 2 benefit is calculated by multiplying the Option 1 benefit by an Option 2 factor. The factor is based on the age difference between you and your contingent annuitant.

3. Option 3

Option 3 provides a monthly benefit to you for your lifetime. When you die, your named contingent annuitant will receive **one-half** that amount for the rest of their life. Your benefit is still less than Option 1 because the value of your monthly retirement benefit is reduced to provide half of your benefit amount to your named contingent annuitant. However, because the contingent annuitant receives half the member's benefit, your benefit is larger than the Option 2 benefit. The Option 3 is computed the same as Option 2, using Option 3 factors.

NOTE:
Page 30 provides an explanation of limited circumstances which allow you to change the option 2 or 3. Contact us for more information.

4. Option 4

Option 4 provides a monthly benefit to you for your lifetime. Similar to Option 2 and Option 3, it provides a continuing benefit to your named contingent annuitant(s). You may name **one or more** contingent annuitants. If the retiree dies before the end of the "certain" or guaranteed period, the contingent annuitant(s) will receive the benefit. Payments to the contingent annuitant(s) will stop when the guaranteed period ends. The factor used to calculate this benefit is based on the member's age at retirement. This benefit has two sub-options.

- **10-year period certain.** You must be **age 75 or younger** when you retire to be eligible for this benefit. This option is calculated by multiplying the Option 1 benefit by an Option 4 factor. **You will receive this benefit for life.** If the member dies within the 10-year period, then the contingent annuitant(s) will receive the same benefit. However, benefit payments to the contingent annuitant(s) will end when the 10-year period ends. The 10-year period begins on the member's effective date of retirement.

- **20-year period certain.** You must be **age 65 or younger** when you retire to be eligible for this benefit. The monthly benefit will be calculated by multiplying the Option 1 benefit by an Option 4 factor. Other than the length of time, the 10- and 20-year period certain options are the same. The 20-year period begins on the member's effective date of retirement.

5. Changes to Options

A member who retires on or after October 1, 1999 and selects Options 2 or 3 may have the right to revert to the higher retirement benefit, Option 1, as was available at the time of the member's retirement. A written application must be filed with the MPERA to make this change if one of the following conditions are met.

- The original contingent annuitant dies.

- The member and the contingent annuitant divorced and the court did not grant the contingent annuitant the right to receive part of the benefit.

A member who retired prior to October 1, 1999 and has selected Options 2 or 3, may have the right to change their contingent annuitant after retirement or choose a new option if one of the above conditions are met.

The retired member must designate a new contingent annuitant or payment option in writing within 18 months of the death of or divorce from the contingent annuitant. Please contact us to get an estimate of the new benefit and an application form to select a new option or change your contingent annuitant.

(§ 19-7-1001, MCA and ARM 2.43.606)

6. Sample Calculations

Service Retirement

Sheriff Kenny Retire, Age	47
Service Credit	22 years
Highest Average Compensation (HAC)	$3,000 per month
Account Balance at Retirement	$79,796
Contingent Annuitant's Age	45

Option 1 Formula: 2.5% x Service Credit (years) x HAC
.025 x 22 x $3,000 = $1,650 per month

Under Payment Option 1, Sheriff Kenny will receive a benefit of $1,650 each month for the remainder of his life. Upon his death, monthly benefit payments will cease. If the total benefits paid to Kenny are less than $79,796, the balance will be paid in a lump-sum to his designated beneficiary.

Option 2 Formula: Option 1 Amount x Option 2 Factor
$1,650 x .8631 = $1,424.12 per month

If Kenny elects Option 2, he will receive a service retirement benefit of $1,424.12. He will receive a benefit each month for the remainder of his life. Upon his death, the SRS will pay a continuing benefit, of the full amount, to his contingent annuitant.

Option 3 Formula: Option 1 Amount x Option 3 Factor
$1,650 x .9265 = $1,528.73 per month

Option 3 will provide Sheriff Kenny a service retirement benefit of $1,528.73 per month. He will receive a benefit for his lifetime. Upon his death, the SRS will pay a continuing monthly benefit of one-half Kenny's benefit payment to his contingent annuitant.

Option 4 Formulas:

10-Year certain: Option 1 Amount x 0.9930
$1,650 x .9930 = $1,638.45 per month

20-Year certain: Option 1 Amount x 0.9690
$1,650 x .9690 = $1,598.85 per month

If Sheriff Kenny chooses the 10-year certain payment option, he will receive $1,638.45 per month. Should he die before the 10-year period ends, the benefit will be paid to his contingent annuitant(s). for the rest of the 10-year period. If Kenny dies after the 10-year period ends, all payments end. His contingent annuitant(s) won't receive any payments.

If Sheriff Kenny chooses the 20-year certain payment option, he will get $1,598.85 per month, for life. Should he die before the end of the 20-year period, the contingent annuitant(s) receive the continuing benefit. Payments end when the 20-year period ends. In the event he dies after the 20-year period ends, his contingent annuitant (s) won't receive any payments.

The 10- and 20-year periods begin on the effective date of the member's retirement. Factors used for 10- or 20-year periods are based on the member's age.

Early Service Retirement

Wanda Retire, Age (at termination of SRS-employment)	40
Service Credit	15 Years
Highest Average Compensation (HAC)	$2,500 per month
Account Balance at Retirement	$46,987
Contingent Annuitant's Age	42

Option 1 Formula (When Wanda applies at age 50.):

.025 x Service Credit x HAC x Early Retirement Factor

.025 x 15 x 2,500 x .70 = $656.25/month

NOTE: Early retirement benefit payments may not begin before the member's 50th birthday.

The early retirement factor is .70 for Wanda. Two factors could apply to Wanda, either .520 for age 50 or .70 for 15 years of service credit. We use .70 because it gives Wanda a larger benefit. See Table 2 on page 25 for a list of early retirement factors. Under Payment Option 1, Wanda will receive a benefit of $656.25 each month for the remainder of her life. Upon her death, her beneficiaries will receive the balance of her account. The balance is equal to the

amount at retirement less all benefits paid to her. We will pay the balance in one lump-sum payment.

Option 2 Formula: Option 1 Amount x Option 2 Factor
$656.25 x .8626 = $566.08 per month

At age 50, payment Option 2 will provide Wanda $566.08 per month for the rest of her life. Upon her death, Wanda's contingent annuitant will receive the continuing benefit, for life.

Option 3 Formula: Option 1 Amount x Option 3 Factor
$656.25 x .9262 = $607.82 per month

When Wanda is 50 years of age, Option 3 will provide her a benefit of $607.82 each month. Upon Wanda's death, her contingent annuitant will receive, for life, one-half of of the continuing service retirement benefit.

Option 4 Formulas:
10-Year certain: Option 1 Amount x .990
656.25 x .990 = $649.69 per month

20-Year certain: Option 1 Amount x .955
$656.25 x .955 = $626.72 per month

At age 50, if Wanda chooses the 10-year certain payment option, her monthly benefit will be $649.69. She will receive a benefit for her life. If she dies before the 10-year period ends, then her contingent annuitant(s) receive a continuing benefit. Should Wanda die after the 10-year period ends, all payments end. Her contingent annuitant(s) won't receive any payments.

If Wanda chooses the 20-year certain payment option, she will receive $626.72 per month. She will receive a benefit for life. Should she die before the end of the 20-year period, the contingent annuitant(s) will receive a continuing benefit. Payments end when the 20-year period ends. In the event she dies after the 20-year period ends, her contingent annuitant(s) won't receive any payments.

Section IV: Additional Information

Your retirement system also provides death benefits, increases in your benefit, and assignment of benefits. Your retirement benefit is subject to tax if it was not taxed when you contributed to the SRS. This section provides additional information concerning your retirement benefits.

1. Death Benefits

Upon your death, if you were receiving an Option 2, 3, or 4 retirement benefit, your contingent annuitant will receive the benefit promised under those Options. A named beneficiary will receive a death benefit under limited circumstances as explained on the next page.

Beneficiaries

Members may designate as their beneficiaries any person, charitable organization, or trust for the benefit of natural living persons. You must designate your beneficiaries on a SRS membership card and give the card to your payroll clerk. The clerk will send the card to us. Whenever you wish, you may name new beneficiaries by sending us a new membership card. If you are an inactive member, call us and we will send you a new card. Beneficiaries are either primary or contingent. Contingent beneficiaries will only receive something if no living primary beneficiary exists. (§ 19-2-801 and 19-2-802, MCA)

NOTE: Advise your beneficiary to contact the MPERA for complete details about benefits in the event of your death.

Death Benefit Claim - Active or Inactive Member

Upon receipt of notification of a member's death, we will send a death benefit claim to the designated beneficiary. To make a claim

for a death benefit, the beneficiary must return the form to the Board along with written proof of the member's death. A copy of the death certificate is the best document to send.

Account Balance - Retired Member

If you retire under Option 1, and you die before receiving benefits equal to your account (your contributions plus interest), your beneficiaries will receive your remaining account balance. Your remaining account balance is your contributions plus interest to date of retirement minus any benefit payments you received. [§ 19-7-503(2), MCA and 19-7-801(4)(b)(ii)]

Death Prior to Retirement

The beneficiary of a member who dies before retirement is entitled to select one of the following options for which the member qualified and the beneficiary qualifies:

- a lump-sum payment of the member's accumulated contributions; or
- a survivorship benefit equal to 2.5% of the member's Highest Average Compensation (HAC) for each year of service credit, reduced by a factor based upon the number of years the member's age was less than age 65, or the number of years required for the member to have completed 20 years of membership service, whichever provides for the larger benefit; or
- A survivorship benefit equal to one-half the member's HAC, if the board finds the member died as a direct and proximate result of injuries received in the course of employment. (§ 19-7-901, MCA)

2. Benefit Increases

The Guaranteed Annual Benefit Adjustment (GABA) will increase your retirement benefit every year **if you are eligible.**

GABA

The GABA insures a **minimum** increase of three percent over the previous year. Other events which increase your benefit will reduce the amount you get from the GABA. If the other increases are three percent or more, then you will get no increase from GABA. (§19-7-711, MCA)

The GABA applies to:

- Service Retirement
- Early Service Retirement
- Disability Retirement
- Survivorship Benefit

It also applies to recipients, other than members, such as contingent annuitants and survivors.

Eligibility for GABA Benefits

You must meet some conditions before you will get a raise under the GABA. First, you must receive your benefit for at least 12 months. For example, if you retired on July 1, 2000, you will meet the 12-month requirement on July 1, 2001. You won't receive your first GABA raise until January, 2002, as explained on the next page.

Effective Date of GABA Benefits

The annual GABA increase for the calendar year begins with the January benefit after you have been retired for 12 months. We will apply the monthly increase of three percent beginning with your January benefit. The monthly benefit is mailed to you or transferred electronically to your bank on the last working day of each month.

NOTE:
If you get your benefit by electronic transfer, your bank may not add the transfer to your account until the next working day. With electronic transfer, you receive your money 1 or 2 days sooner than with a paper check through the mail.

3. Taxes on Benefits

Some or all of your retirement benefit will be subject to federal and state income taxes. You must pay taxes on any part of your benefit that was not taxed during your working career. You paid income tax on any money you contributed before July 1, 1985. Also, you paid the tax on any additional contributions you paid to buy service before the year 2000. You have not paid taxes on the money you have contributed since July 1, 1985. Nor have you paid taxes on the interest your account earns. If some of your benefit comes from tax-deferred money you must pay taxes on that part.

Tax Statements

Each year we will send you a Distributions Form (Federal Form 1099R). The 1099R is similar to a W-2 Form. We send the form to all people who receive any payment from the SRS, not just the member. The 1099R will show the gross taxable amount you received during the past calendar year. This form will also show any state or federal taxes withheld during the year. We base withholding rates on current federal and state tax law.

Tax laws that apply to retirement benefits change frequently. You should contact a tax professional for specific, up-to-date information about state and federal taxes.

Taxes on Refunds

The tax-deferred portion of a retirement lump-sum refund is subject to state and federal taxes. If you receive the refund, the IRS requires us to withhold 20% for tax purposes. The IRS may also assess an additional 10% penalty for early withdrawal. Taxable amounts for state and federal taxes may be different, because the state does not tax the interest. You may avoid paying the withholding tax by "rolling-over" the taxable part into an IRA or other qualified plan. Rolling over your refund also allows you to avoid the penalty. If you

accept a lump sum payment, IRS rules allow you 60 days to reinvest or roll the refund over into a qualified plan. Be prepared to provide the IRS documentation of this reinvestment or roll-over to avoid paying the 10% penalty.

Remember, when you receive the refund directly, the IRS requires us to withhold 20% for taxes. The amount withheld may or may not be enough to pay any tax or penalty you may owe. If the IRS assesses a penalty, you must pay it when you file your income taxes. You must provide documentation to the IRS of your reinvestment or "roll-over" of your refund, as described above, to avoid payment of the penalty.

You will receive a Distributions Form (Federal Form 1099R) for the refund. It will list the gross distribution, the taxable part, and any federal or state taxes withheld from the refund. The 1099R is an important document that you must keep for your tax records. We will not send you another 1099R at the end of the year. If you lose your 1099R, you can request a duplicate from us.

4. Assignment of Benefits

In very limited cases, the court may assign your SRS benefit to another person. This includes a Family Law Order (FLO) which must be a judgment, decree or order of a Montana court. It may give all or part of your payment rights to someone else. Courts from other states may also assign your benefit with a Support Obligation. Support Obligations must meet requirements similar to those for a FLO. (§19-2-907 and 19-2-909, MCA)

Your retirement benefit may not be assigned to another person under ERISA, a federal law governing private pension benefits; nor may a Qualified Domestic Relations Order assign your benefits to another person. However, the IRS may place a levy against your benefit for unpaid taxes.

Family Law Order (FLO)

A FLO may require the MPERA to pay all or part of your benefit or refund to another person. That person is an alternate payee. A Montana court may issue a FLO for child or parental support, spousal maintenance, or marital property rights. The FLO may require that you pay an alternate payee a set sum or percentage of your benefit. For example, the FLO may require you to pay $500 per month until you pay a set sum of $12,000. Or, the FLO may require you to pay 50% of your monthly benefit for as long as you get a benefit. The FLO may also require you to choose a specific option, contingent annuitant, or beneficiary.

A FLO may not require the MPERA to pay a type of benefit unless that benefit is available to you. Nor can a FLO require an amount or length of payment greater than payable to you. This means a FLO cannot require the MPERA to make any payments before you retire or take a refund. Also, it may not require payments that are more than the amount the MPERA may pay you. (§ 19-2-907 and 19-2-909 MCA)

5. For More Information

If you want an estimate of your benefit, or a cost statement for buying service, please contact us in writing. Any estimates you get from any other source may be wrong. The MPERA is not responsible for any information from other sources. You must contact us for application forms if you are considering service or disability retirement. You should instruct your beneficiaries to contact us in the event of your death. When you correspond with the MPERA by mail or fax, please include your full name, printed and signed, your Social Security Number, and your return address and daytime telephone number.

Mailing Address: **MPERA**
PO Box 200131
Helena MT 59620-0131

FAX Number: **406-444-5428**

You may also e-mail requests to the MPERA. Be sure to include your full name, social security number, and return address and daytime telephone number.
E-mail Address: **perb@state.mt.us**

We invite you to call or visit the MPERA in Helena at 100 North Park Avenue, Suite 220. (See map on outside of back cover.) Our office hours are Monday through Friday, 8:00 a.m. to 5:00 p.m, except on designated state holidays. **It is most helpful for staff if you make an appointment in advance when you are planning to visit our office.** Phone our office at 406-444-3154 or toll free, 877-275-7372. If our phone lines are busy when you call, you may have to leave a voice mail message. Be sure to leave your name, telephone number, and Social Security Number first, then a brief message.

NOTE: To avoid confusion, you should put in writing any questions requesting **specific details** about retirement options or service credit. We will give you a **specific written response.**

GLOSSARY OF TERMS

ACTIVE MEMBER - a member in a SRS-covered job, making the required contributions, and properly reported for the most current reporting period.

ACTUARIAL COST - the amount determined by the Board in a uniform and nondiscriminatory manner to represent the present value of the benefits to be derived from the additional service to be credited based on the most recent actuarial valuation for the system and the age, years until retirement, and current salary of the member.

ADDITIONAL CONTRIBUTIONS - a member's payments to purchase various types of optional service credit under an installment contract.

BENEFIT - a service or disability retirement or survivorship provided by the SRS.

COMPENSATION - a member's salary before any pretax deductions allowed by the Internal Revenue Code are made.

CONTINGENT ANNUITANT - a person the retired member names to receive a continuing benefit after the member's death.

CREDITED SERVICE or SERVICE CREDIT - the periods in which you contribute the required money to the SRS. The PERB uses service credit to calculate the amount of your benefit. If you work 160 hours or more in any month, you get 1 month of service credit. If you work less than 160 hours, you will receive credit for a partial month. For example, if you work 80 hours, you receive ½ of a month of service credit.

DESIGNATED BENEFICIARY - the person a member names to receive any survivorship benefits or lump-sum payments upon the member's death. Designated beneficiaries are either primary or contingent.

DISABILITY - total physical or mental incapacity of a member to do the essential functions of the member's job. You must become disabled while an active member, and it must be permanent or of an extended or uncertain period.

EMPLOYEE - a person employed by a SRS employer in any capacity and the employer pays the person's salary.

EMPLOYER - a governmental agency that contracts with the Board to cover their employees under the SRS.

FAMILY LAW ORDER (FLO) - an order from a Montana court that may assign all or part of a participant's payment.

HIGHEST AVERAGE COMPENSATION (HAC) - the member's average highest monthly compensation received for any 3 years of continuous service. Lump-sum payments for severance pay, sick leave, and annual leave may not be added to a single month's pay. Your HAC may include termination payments, but only if they replace regular pay on a month for month basis.

INACTIVE MEMBER - a member who ends SRS-covered employment and does not withdraw his or her SRS account.

INVESTIGATOR - a person employed as a criminal investigator or a gambling investigator for the department of justice.

LUMP-SUM PAYMENTS - amounts, which may include interest, that are payable instead of monthly benefits.

MEMBER - any person with contributions and service on account with the SRS. Persons receiving retirement benefits based on previous service credit are also members.

MEMBERSHIP SERVICE - the periods of service used to decide vesting and eligibility for retirement or other benefits. You get 1 month credit for any month you contribute to the SRS. Even if you only work one day during that month. If you contribute anything, you get credit for the whole month.

PART-TIME EMPLOYMENT - any month during which the employer pays the member for less than 160 hours.

PARTICIPANT - a member, beneficiary, survivor, or contingent annuitant who is receiving, or may receive, a benefit or payment from the SRS.

REFUND - a withdrawal of all the money in a member's SRS account. By taking a refund, the member gives up all rights to any other benefits from the SRS.

REGULAR CONTRIBUTIONS - the payments an active member must make to the SRS. The payments are a percentage of the member's monthly pay and are tax-deferred.

REGULAR INTEREST - the payments made to a member's account at rates set by the Board. This interest is tax-deferred. Also, the amount charged to buy service on a monthly payment plan. These rates may not be the same.

RETIREMENT BENEFIT - the monthly payment to a member, for life, following service or disability retirement.

RETIREMENT or RETIRED - the status of a member who ends active service and receives a monthly benefit.

SERVICE - employment of an employee in a position covered by a retirement system.

SHERIFF - any elected or appointed county sheriff or undersheriff or any appointed, lawfully trained, appropriately salaried, and regularly acting deputy sheriff.

SURVIVORSHIP BENEFIT - monthly payments for life to the beneficiary of a vested member who died while an active member.

VESTED MEMBER or VESTED - the status of a member with at least 5 years of membership service. A vested member is entitled to retirement when they meet the minimum service or age provision.

Alternate Accessible Format

The MPERA will provide alternative accessible formats of this document upon request. Persons with disabilities, who need an alternative accessible format of this information, should contact us.

Write to:

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MPERA
PO Box 200131
Helena, MT 59620-0131

You May Contact the MPERA at:

Telephone: 406-444-3154
Toll Free: 877-275-7372
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e-mail: Mpera@state.mt.us

For more information, Contact:

Department of Administration
Personnel Division
Phone: 406-444-3871
TDD no. 406-444-1421.

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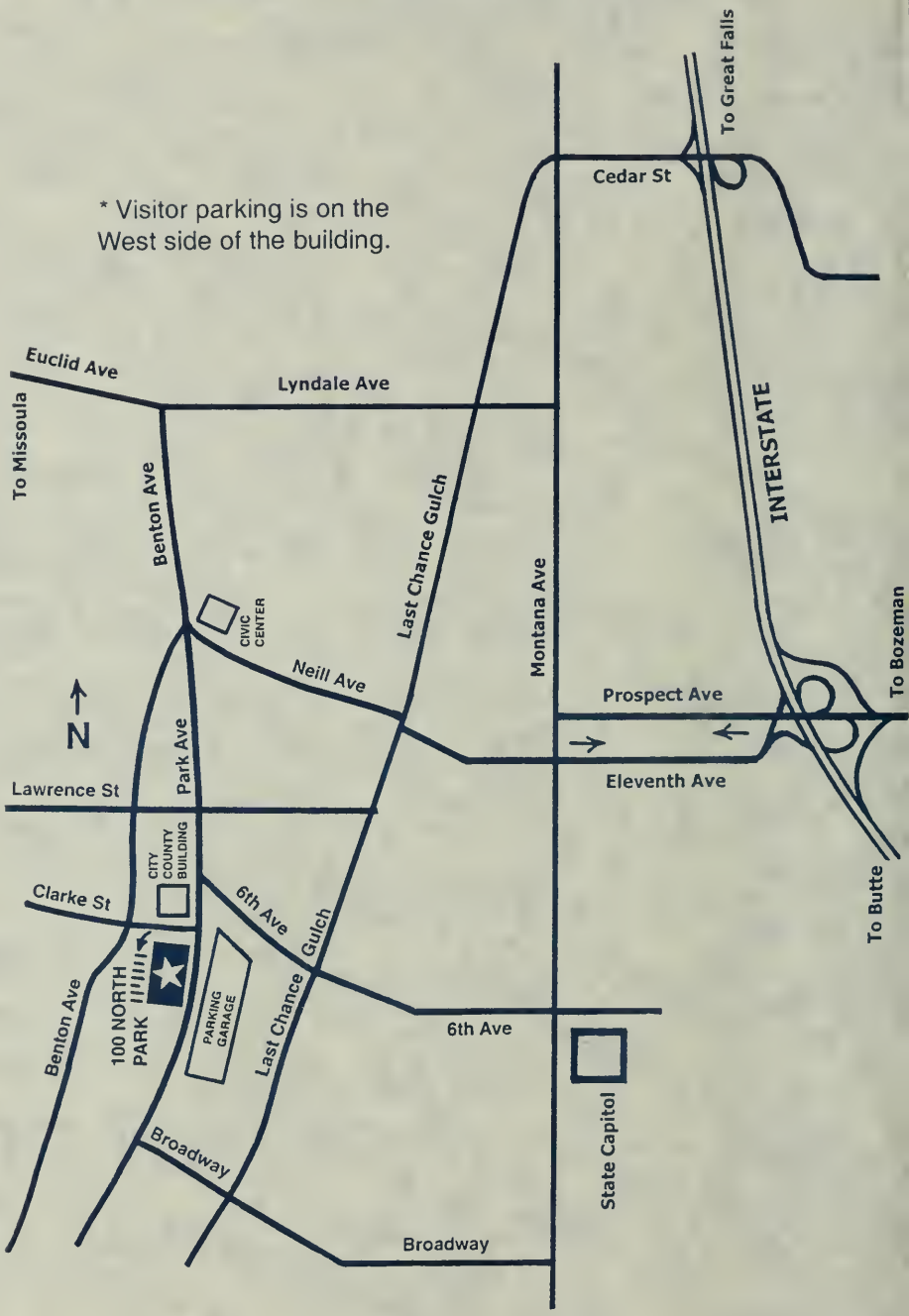

250 copies of this public document were published at an estimated cost of $1.14 per copy, for a total cost of $285.00, which includes $285.00 for printing and $0.00 for distribution.